

103 KAR 8:130. Ad valorem taxation of machinery actually engaged in the manufacturing of coal.

RELATES TO: KRS 132.020, 132.200

STATUTORY AUTHORITY: KRS 131.130(1)

NECESSITY, FUNCTION AND CONFORMITY: KRS 131.130(1) authorizes the Department of Revenue to promulgate administrative regulations necessary for the administration and enforcement of all tax laws in Kentucky. KRS 132.020(1)(i) establishes the ad valorem tax rate based on the value of the machinery actually engaged in manufacturing. KRS 132.200(4) provides that machinery actually engaged in manufacturing shall be subject to taxation for state purposes only. This administrative regulation explains the property tax classification found in KRS 132.020(1) and 132.200(4) for "machinery actually engaged in manufacturing" as it pertains to the coal industry.

Section 1. Definitions. (1) "Manufacturing machinery" means machinery actually engaged in manufacturing that is subject to the state ad valorem tax of fifteen (15) cents upon each \$100 of value provided in KRS 132.020(1) and exempt under KRS 132.200(4) from ad valorem taxation by any county, city, school or other taxing district in which it has a taxable situs.

(2) "Processing area" means the area of a coal preparation plant or coal load out facility where operational steps and methods are used to wash, size, blend, crush, load, or chemically treat coal to get a final marketable product.

Section 2. Machinery Actually Engaged in Extraction, Severance, Dredging, or Mining of Coal. Machinery used in the extraction, severance, dredging, or mining of coal shall not be classified as manufacturing machinery for purposes of KRS Chapter 132.

Section 3. Machinery Actually Used In Mining or a Similar Operation that is Engaged in Manufacturing. (1) Machinery actually used in the crushing, sizing, blending, chemical treating, and washing of coal shall be classified as manufacturing machinery.

(2) Coal manufacturing shall begin when machinery and equipment is used to convey the raw coal into the crushing, sizing, blending and washing facilities and shall include machinery and equipment moving the coal between the manufacturing processes within the processing area including in-process staging.

(3) Machinery and equipment used to blend different product grades, prior to the point of the coal being loaded on transport for removal from the processing area, shall be classified as manufacturing machinery.

(4) Manufacturing shall end with the loading of coal for final transport to the end user.

(a) The loading of coal for final transport to the end user shall only be classified as manufacturing if blending or chemical treatment occurs during the loading process.

(5) Machinery actually used in crushing, sizing, blending and washing shall include structures housing the crushing, sizing, blending or washing machinery.

(6) Machinery whose purpose shall be classified as to move, stage or load the coal when it is utilized subsequent to receiving or dumping of the coal into one of these processes and prior to completion of the sizing, crushing, blending or washing process is manufacturing machinery.

Section 4. Equipment Used in Mining or a Similar Operation that Is not Engaged in Manufacturing. (1) The manufacturing process shall exclude coal hauled via a licensed truck outside the processing area.

(2) Other machinery actually used in extraction, severance, dredging, or mining operations

shall not be classified as manufacturing machinery regardless of where in the operation it is located. (34 Ky.R. 673; Am. 967; eff. 12-7-2007.)